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Message Text

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46
ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

PRS-01 PA-01 /091 W
---------- 123312
P R 032206Z MAR 76
FM AMEMBASSY QUITO
TO SECSTATE WASHDC PRIORITY 9239
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 1685

E.O. 11652: GDS
TAGS: EFIN, ENRG, EC
SUBJECT: TEXACO SUSPENDS IMPORT DEPOSITS

1. TEXACO SUSPENDED IMPORT DEPOSITS FEBRUARY 27. THE DECISION WAS APPARENTLY MADE WHEN MINISTER OF NATURAL RESOURCES RENE VARGAS INFORMED TEXACO THAT HE WOULD RETAIN 100 PERCENT OF THE FOREIGN EXCHANGE DEPOSITS PENDING RESOLUTION OF A TEXACO-GULF DEBT TO THE GOE FOR ROYALTY CRUDE. TEXACO IN TURN INFORMED VARGAS THAT ALL IMPORT DEPOSITS WOULD BE SUSPENDED UNTIL THE GOE PAID SOME $21 MILLION IN OPERATING COSTS AND OVER-RETENTION OF FOREIGN EXCHANGE OWED TO THE TEXACO-GULF. ACCORDING TO LOCAL GULF OFFICIAL, GULF HAS DECIDED TO JOIN TEXACO IN SUSPENSION OF DEPOSITS TO PRESENT A CONCERTED FRONT; GULF'S PAYMENT TO THE CENTRAL BANK WAS DUE MARCH 2.

2. SUSPENSION OF DEPOSITS COULD BRING THE CONFRONTATION BETWEEN TEXACO-GULF AND THE GOE TO AN IMMEDIATE SHOWDONW. MOST OBVIOUSLY, PETROLEUM SUPPLIES APPROXIMATELY 65 PERCENT OF TOTAL GOE REVENUES. IF THE DEPOSIT SUSPENSION
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CONTINUES, THE GOE WILL BE IN A CRITICAL CASH FLOW BIND.

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LOCAL CONSORTIUM OFFICIAL REPORTS THAT CEPE EXPORTS ARE RUNNING AT ABNORMALLY HIGH LEVELS THIS WEEK. BY LAW, VARGAS CAN FREEZE TEXACO-GULF'S EXPORTS WHICH WILL BACK UP STORAGE FACILITIES, SHUT IN PRODUCTION AND SLOW DOWN TOTAL EXPORTS. THE GOE MAY BE TRYING TO EXPORT MUCH OF CEPE'S AVAILABLE CRUDE BEFORE THE TEXACO-GULF EXPORTS ARE SUSPENDED.

3. WE ARE UNFAMILIAR WITH THE DETAILS OF THE DEBT TEXACO-GULF REPORTEDLY OWES THE GOE, BUT THE GOE HAS BEEN CONSISTENTLY LATE IN REIMBURSING TEXACO-GULF ITS PROFITS AND OPERATING COSTS. (TEXACO-GULF DEPOSITS AT $12 FOR EVERY EXPORTED BARREL, WELL ABOVE SALES PRICE.) CEPE IS CHRONICALLY BEHIND IN ITS SHARE OF THE OPERATING COSTS OF THE TEXACO-GULF-CEPE CONSORTIUM. CEPE ITSSELF IS CURRENTLY LOSING SEVERAL HUNDRED THOUSAND DOLLARS A MONTH AND WILL FIND IT EXTREMELY DIFFICULT TO PAY ANY OF ITS SHARE OF THE CONSORTIUM'S COSTS WITHOUT ASSISTANCE FROM THE CENTRAL TREASURY.
BREWSTER

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